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The model of strategic measurement as a basis of information provision of an enterprise's value-oriented financial policy

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Abstract

The article considers issues of forming strategic provision that allows forming the necessary information field of an enterprise's value-oriented financial policy's efficient implementation. The basis of the model being considered is formed by organizational provision, methodological as well as methodical provision, information provision, financial provision, technical provision, HR provision.

Keywords: strategic measurement model, an enterprise's financial policy.

Forming an enterprise's value-oriented financial policy and its implementation involves development and implementation of the strategic measurement model.

According to mark Graham Brown, the model that allows defining the indicators critical for a particular enterprise is called 'a strategic measurement model' [1, p. 226]. He believes that the model's implementation (Fig. 1) starts with defining general principles of the enterprise's functioning and its perspectives. The second stage is aimed at identifying success key factors that are to be concentrated on and are the ones that contribute to differentiating the enterprise from its competitors. Besides, the enterprise is also to define the main principles of carrying out its business activities which are to be taken into consideration to be a successful company. These principles (according to M. Brown) are profitability, growth, and regulation. These build the basis for defining the indicators.

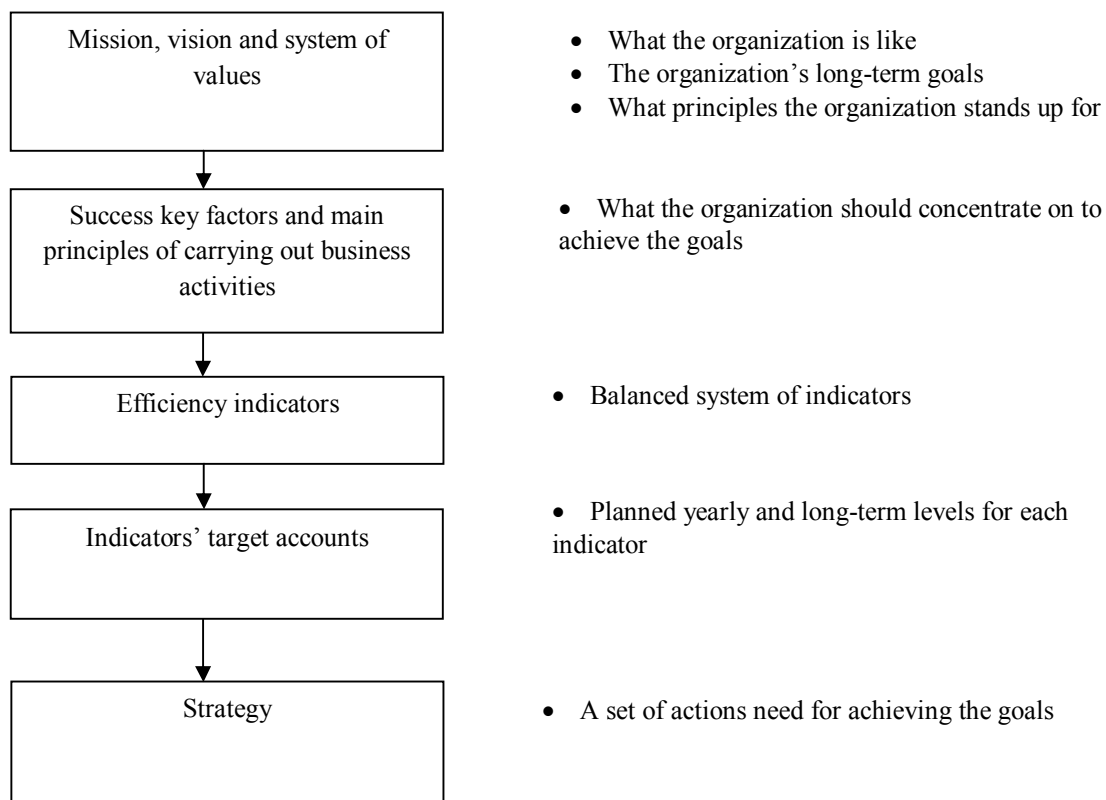


FIGURE1. Strategic measurement model by M. Brown

Once the organization has identified the most significant items of its indicators' system target accounts are defined for each parameter. Then an action plan is to be developed to achieve the goals.

Such model's implementation merely allows determining the indicators and putting them into practice. The way of using them is not described that is, in our point of view, incorrect. If the model is aimed at choosing the indicators' system only regardless of their use, the indicators' efficiency level drops sharply while the consequences of their application are unpredictable.

D. Popov suggests a somewhat different variant of the strategic development model [2]. Popov's model mainly concerns implementation of achievement measurement system. The model is as follows:

1. To differentiate the enterprise's strategic and current goals
2. To tell exactly who is interested in the enterprise's development and pinpoint the scope of information given
3. To choose the system of indicators
4. To pinpoint the spheres of the enterprise's business activities responsible for both strategic and current goals, information given
5. To implement the system of indicators or indicators themselves
6. To carry out an analysis of the tasks fulfilled after a certain amount of time

7. To put all things together into a solid conception and trace its link to the strategic goal.

The main difference of this model is the idea that one should try the way the indicators work (cooperation and the staff's motivation) and only then link all indicators out of various spheres of the enterprise's activities together and unite them with the enterprise's strategic goal.

According to the author it is necessary to enrich the notion of 'strategic measurement system' and the way it works. The model of strategic measurement is combined by the mechanism that forms conditions for developing and putting into practice the system of indicators that shows the degree of implementation and efficiency.

As a result of the research we have come to a conclusion that the mechanism of this kind is to consist of the following basic elements:

- Organizational provision
- Methodological and methodical provision
- Information provision
- Financial provision
- Technical provision
- HR provision

1. *Organization provision* is associated with organizing, planning, and controlling the process of developing and putting into practice the enterprise's system of indicators. The mechanism of this element's step-by-step functioning is presented in Fig. 2.

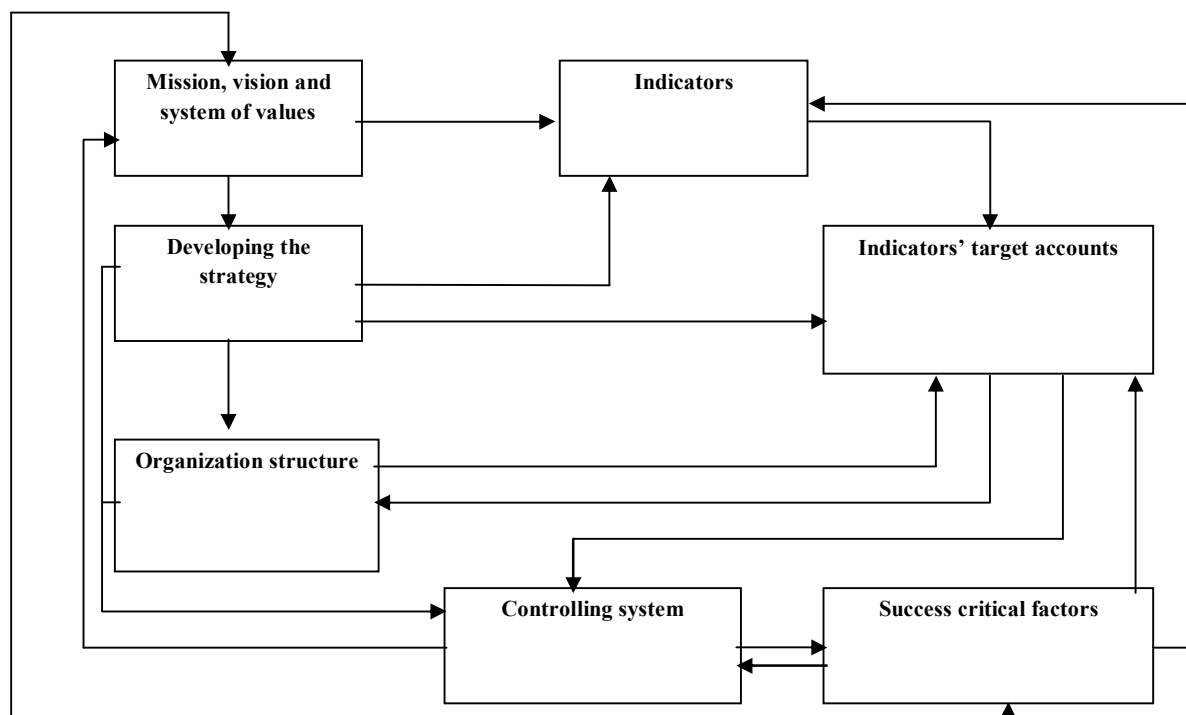


FIGURE 2. Organization provision of the strategic measurement model

Having pinpointed the mission as well as defined the vision and developed the system of goal, the enterprise forms the strategy as a way of achieving the goals. The strategy's implementation needs a certain organization structure which is a combination of managing substructures that are united by a

system of mutual links that contribute to the strategy's implementation aimed at achieving the enterprise's goals. The defined goals and developed strategy help to choose a set of indicators which are used to assess the enterprise's level of efficiency whereas indicators' target accounts mostly depend

on the type of strategy and the way the information is distributed within the enterprise's organization structure. There also might be a situation when the enterprise's current flow of documents won't make it possible to distinctly define the target indicators' final accounts. If the enterprise's general management system keeps its level of efficiency then one can adjust the principles of forming indicators' target accounts. If it deters the enterprise's management system, then the organization structure is to be adjusted. Both strategy and the enterprise's organization structure are to take in consideration the fact that it is necessary to have a certain controlling system that analyzes and assesses the results of the enterprise's activities and correlates them with the target accounts. Such controlling system is to be formed consequently:

1) One should define an object of control, spheres and sorts of control. For instance, management decisions in all sorts of the enterprise's activities associated with achieving the goals could be an object of control.

2) A system of priorities of indicators under control should be introduced. So the whole system of indicators used to assess the enterprise's level of efficiency is classified according to significance. The priorities system of the first level includes indicators which are most important for control. The priorities system of the second level includes indicators which are linked to the parameters of the first level on factor principle. The priorities system of the third level is formed likewise.

3) A system of qualitative standards of control is needed.

4) It is suggested that a system of indicator monitoring be built that is used to meet the parameters which have been set. The system is an implemented mechanism of nonstop observation of the enterprise's efficiency level indicators as well as defining the size of the deviations of the real financial results and the planned ones and investigating the reasons of these deviations.

5) The development of the action algorithm system that corrects deviations

Organizing the controlling system would very much depend on critical factors the enterprise's development. "Success critical factors are actions of putting into practice a certain strategy, competition opportunities, activities' results that each company is to provide to be competitive" [3, p. 194].

Thus, organizational provision of the strategic measurement model forms the conditions of this model's operation mode concerning integrating the indicator system into general system of managing the enterprise.

Methodological and methodical provision of the strategic measurement model suggests first of all theoretical proving of the chosen parameters to assess business efficiency. Secondly, such type of provision suggests developing ways of calculating indicators as well as parameters that can be used for a particular enterprise according to its organization and peculiarities of forming information basis.

Financial provision of the model considered is aimed at searching and choosing the sources to cover the costs for installing, implementing and maintaining the chosen indicator system. Such costs are as follows:

- The costs for developing and implementing the chosen indicator system
- Forming the fund to motivate stimulate the staff
- Financing the actions that adjust and maintain the chosen indicator system
- The costs for training the staff or improving their qualifications due to implementing or restructuring the current indicator system
- The costs for purchasing the software that has been adapted for the chosen indicator system's application
- The costs for paying the consultants' services in case of grave hindrances of the chosen indicator system's application
- The costs for providing security to keep trade secrets, etc.

The list of the costs is by no means full and exhaustive but it proves the fact that the indicator system's application is rather costly.

Information provision of the strategic measurement model is associated with forming information field that provides the indicator system's application. The basis of forming the information field is accounting data, management accounting data, financial accounting data, tax accounting data, statistics data as well as analytics data obtained by economics service companies. It should be noted that introduction and implementation the indicator system requires an enterprise's current accounting system's adjustment and improvement. A general mechanism of such information field's formation that caters for the indicator system is presented in Fig. 3. Information provision once formed allows using the current accounting system that has been adjusted and corrected due to the use of the indicator system and fit into the current control system that has been provided with the mechanism of how to use the indicator system.

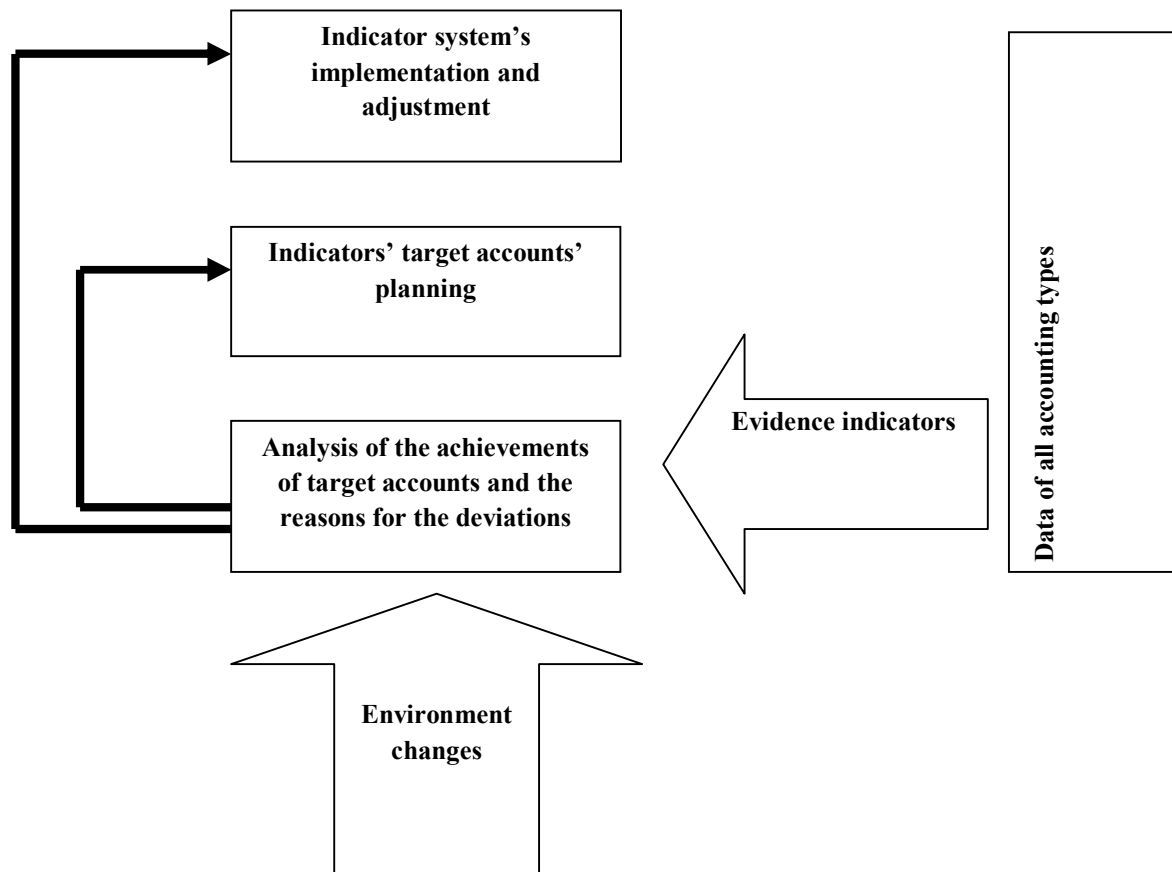


FIGURE 3. Information provision of strategic measurement model

Such system once implemented alongside with the use of the chosen indicator system is to solve the following problems:

- fragmentation of information infrastructure
- branches and subsidiaries' different frequency of providing information
- use of different methods of calculating similar figures
- information redundancy in reports that prevents the management from concentrating on the most relevant and influential factors;
- differences in methods of calculating similar figures and timing of report publications between domestic and leading foreign companies;
- inability to prepare information of needed accuracy in due time of decision making;
- effect of using information does not cover its preparation costs.

Staff provision plays a very important role in forming and implementing the strategic measurement model. Staff provision is a particular level of staff's abilities:

1. Staff and management's professional abilities that can either deter or induce the implementation of the indicator system
2. Organization system that causes a definite level of understanding the need for implementing the indicator system
3. Company's current social and psychological climate
4. Management's prevailing work style that affects the degree of feedback between the employees and managers.

Forming staff provision can develop in two directions: stabilizing and developing. Stabilizing staff provision is aimed at the staff's adaptation to the conditions of the indicator system's implementation. Obviously, the whole process will need the staff's adjustment and coordination as well as formation of the management's work style that will take into consideration all the peculiarities of the indicator system being used. Development of staff provision suggests improving the methods of staff assessment in the conditions of the indicator system's implementation as well as improving the staff's qualifications, working conditions, and forming conditions for professional growth.

Successive compliance of the following is significant while forming staff provision of strategic measurement model:

- Evaluation of perspective needs for employees of different skills and qualifications due to implementation and use of the indicator system
- Planning to meet the needs that includes: finding out the number of vacancies, requirements for the applicants as well as relevant ways of selecting the applicants, and assessing the results of work activities
- Staff marketing that includes studies of the labor market, carrying out advertizing campaign aimed at attracting new employees of the required qualifications
- Recruiting and selecting applicants of necessary professions and qualifications as well as their psychological and physiological characteristics

- Placing the staff according to the results of the selection and the system of organizing the use of the chosen indicators

- Employees' adaptation to the working conditions including the indicator system

- Promote the staff's careful and reasonable attitude to their responsibilities

- Assessing the results of the work activities with the use of the indicator system.

Thus, the main parameters of the strategic measurement model have been defined. This model is the basis of an enterprise's value-oriented policy's formation, implementation, and efficiency assessment.

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